

Before the  
POSTAL REGULATORY COMMISSION  
Washington, DC 20268-0001

Rate Adjustment Due to	:	
Extraordinary or Exceptional	:	Docket No. R2010-4R
Circumstances	:	

## REPLY COMMENTS OF THE GREETING CARD ASSOCIATION

The Greeting Card Association files these Reply Comments in response to the Commission's Orders No. 757 and No. 781. As with our Initial Comments, we are simultaneously filing a Detailed Analysis – Reply Comments, containing a full technical discussion of the points made in section III of this document.

### I. INTRODUCTION

The greatest part of these Reply Comments, and the entirety of the Detailed Analysis, are concerned with issues raised by the Postal Service's Initial Comments. In section II, we discuss the problems presented by the Postal Service's identification of the exigent ("extraordinary or exceptional") event in this case as the volume loss it has experienced, rather than as the recession which caused it. From the standpoint of logic as well as of sound administration of 39 U.S.C. § 3622(d)(1)(E), it is the recession which must be taken as the operative exigency, if "due to" in that subparagraph is to receive the proper interpretation. As we showed in our Initial Comments, this has consequences for the admissibility of any rate adjustment, and for the limits on any adjustment the Commission might theoretically allow.

Section III focuses on the Postal Service's proposals for quantifying the impact of the volume loss (or, in some cases, of the volume loss due to the re-

cession). This section presents briefly the reasoning and conclusions of the Detailed Analysis, and shows that all five proposed quantification methods are seriously flawed and unreliable and consequently should have no place in the correct application of § 3622(d)(1)(E).

## II. THE EXIGENT EVENT

It has been widely taken for granted in this remand proceeding that the "extraordinary or exceptional" circumstance possibly warranting an exigency rate increase is the 2008-09 recession. The Commission so found in Order No. 547<sup>1</sup>; the Court of Appeals did not question this finding. The Commission referred to it again in setting up the present proceeding.<sup>2</sup> It is necessary to raise the issue again because the Postal Service's Initial Comments generally treat not the recession but its volume losses as the exigency.<sup>3</sup> GCA believes that this approach is inappropriate. Before addressing the Postal Service's various proposals for quantifying the impact of the recession, therefore, we deal with the question of properly identifying the underlying exigency. If the exigency is misidentified, any resulting rate adjustments will not be "due to" the actually "extraordinary or exceptional circumstances" contemplated by Congress.

### A. The problem of causation

One thing, at least, emerges clearly from the exchange of initial comments in this docket: the Postal Service and some other participants hold widely differing ideas on the nature of the causal relationship required by § 3622(d)(1)(E). The Postal Service in its comments takes the "cause" to be a (global) volume

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<sup>1</sup> Order No. 547, p. 3.

<sup>2</sup> Order No. 757, p. 2.

<sup>3</sup> We use "exigency" as shorthand for the "extraordinary or exceptional circumstances" required by § 3622(d)(1)(E) as the basis for any above-the-cap rate request.

loss and the "effect" to be the total financial damage stemming from it. Others (including GCA) believe that the cause is the external "extraordinary or exceptional" event – here, the recession – and the effect is the volume loss and its concomitant financial hardship.<sup>4</sup>

*Is there a difference between events and losses?* Among the Service's most revealing expressions of its view is this, at p. 28 of its Initial Comments:

In the context of its July 6, 2010 exigent filing, the Postal Service took the view that the totality of the lost volume constitutes the "extraordinary or exceptional circumstances" triggering the need for an exigent rate increase. (Alternatively, some might prefer, under this view, to identify the totality of factors or events *leading* to the overall volume loss as the exigent "circumstances," rather than the resulting volume losses themselves, *but such a distinction would be entirely semantic.*) [<sup>5</sup>]

Here, we focus on the notion that the distinction between the "totality of factors or events" leading to volume loss and the volume loss itself is "entirely semantic" – that is, that there is no *substantive* difference between the two, or, perhaps, that they are logical equivalents.<sup>6</sup>

It is significant that the Service is here<sup>7</sup> speaking of the *totality* of "triggering" events and the *overall* volume loss. The statement that the event/loss dis-

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<sup>4</sup> See, e.g., Initial Comments of Time Warner Inc. in Response to Commission Order No. 757, pp. 20-25 (findings undisturbed by Court); Initial Comments of the Saturation Mail Coalition and Vallassis Direct Mail, Inc., pp. 3, 4.

<sup>5</sup> Italics in the last clause added. The Service then acknowledges that the Commission took a different view (that accepting the total volume loss as the exigency would overstate the impact because some of the damage was caused not by the recession but by long-term structural factors). While providing responses to the Commission's concerns, the Service does not agree with the view just stated, given the large magnitude of the volume decline. Postal Service Initial Comments, pp. 29-30.

<sup>6</sup> If we take the notion of logical equivalence, conventionally, to mean that one expression – say, "totality of factors or events" – can be substituted for the other ("overall volume loss") in any proposition without affecting the truth of that proposition, it seems that the Service may well be treating them as logical equivalents.

<sup>7</sup> And elsewhere; see, e.g., the whole discussion at Postal Service Initial Comments, pp. 26-28; id., p. 31 (describing Mr. Corbett's original approach, i.e., Quantification Method One).

inction is entirely semantic – i.e., that the two are logically equivalent – is plausible, if at all, only in this situation. It is arguably, though not obviously, true that if one lumps all the known – or, perhaps, all the possible – causative factors and events together as *C*, and does the same for all the separable components (e.g., class-level or product-level) of volume loss, calling the result *L*, one can treat the two aggregates as logically equivalent. There is, by hypothesis, no factor or event not included in *C* which has a bearing on (any part of) *L*. Correspondingly, there is nothing in *L* which is not linked in some way or another to *C*.

But now suppose a distinction is recognized between one causative event and another (e.g., the recession, Internet diversion, the retiree health care pre-funding schedule), which is what the Commission and the Court of Appeals have done.<sup>8</sup> This means that we have, necessarily, dropped the notion of an all-encompassing *C*; and once we have done this, any possibility of treating events and losses interchangeably vanishes. It is no longer true that every quantum of *L* is, by hypothesis, explained by some one all-inclusive *C*. Instead, we have to investigate a variety of separate events, *C*<sub>1</sub>, *C*<sub>2</sub>, . . . *C*<sub>*n*</sub> for their causal relation, or lack of it, with *L*. Given this fact, it no longer makes much practical sense to think of an all-inclusive *L* either. It is unhelpful, for purposes of § 3622(d)(1)(E), to be told that *C*<sub>1</sub> caused some of *L* but we do not know (or inquire) how much.

In short, the Postal Service's argument that the event/loss distinction is a merely semantic one is plausible only if we accept its (logically prior) assumption that the *entire* volume loss and the *entire* financial impact must be treated as un-analyzable units. That assumption is untenable. The Postal Service itself acknowledges that the Court of Appeals spoke of a "financial crisis . . . [resulting] from multiple contributing factors, of which only one may be 'extraordinary or ex-

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<sup>8</sup> The Court's extensive discussion of multiple causes necessarily distinguishes one causative event or factor from another. Otherwise, it would be meaningless to call them "multiple."

ceptional."<sup>9</sup> If multiple factors are recognized and only one is "extraordinary or exceptional," then we have already broken down the causes of the financial crisis into at least two types.

*Identifying the "extraordinary or exceptional circumstances."* We pointed out above that the Postal Service's treatment of extrinsic events and volume losses as logically interchangeable cannot survive the recognition that there is more than one causative factor. The remaining issue, then, is: Could Postal Service volume and net revenue results – or, more precisely, some violent perturbation in such results – constitute, *all by itself*, the "extraordinary or exceptional circumstances" justifying an exigency request? Or are those circumstances – the exigency – to be looked for in *extrinsic* factors and events which have caused the perturbation in volume and net revenue?

GCA raised this issue in the earlier phase of this proceeding:

*What is a "circumstance" for purposes of § 3622(d)(1)(E)?* If the Commission is to make § 3622(d)(1)(E) function as Congress intended, it also needs to take care over defining for itself the "circumstances" being examined as possibly "exceptional" or "extraordinary." In particular, it should distinguish clearly between the Postal Service statistics advanced to support the exigency filing (e.g., volumetric or financial losses, expressed in billions of pieces or dollars) and the reasons why those statistics are what they are. The statistics themselves cannot constitute either exceptional or extraordinary *circumstances*, even if, considered in isolation, they appear "exceptional" by comparison with earlier years' results.<sup>9</sup> Unfavorable statistics of this kind could, in theory, result from operational or financial mismanagement<sup>10</sup> – clearly not the type of circumstances for which Congress sought to provide an emergency escape route from the price cap. Instead, the Commission must examine the causes of the aberrational statistics, to determine whether those causes constitute extraordinary or exceptional circumstances.

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<sup>9</sup> See Postal Service Initial Comments, p. 5 (quoting 640 F.3d 1263, 1268).

<sup>9</sup> The Postal Service at times writes as if the recent volume declines *themselves* counted as extraordinary or exceptional circumstances. See, e.g., Exigent Request, pp. 1, 6. If this is its intent, GCA must disagree strongly.

<sup>10</sup> Such arguments appear in the Motion of the Affordable Mail Alliance to Dismiss Request (July 26, 2010). GCA is not adopting or endorsing them here; the purpose of this discussion is merely to clarify the meaning of § 3622(d)(1)(E).

The uncertainty we then expressed in fn. 9 as to the Postal Service's view is out of place now, but the quoted passage is still GCA's position.

In looking for causal relationships, it clearly makes sense to expect the cause to be something materially different from the effect.<sup>10</sup> The question then becomes: are volume losses sufficiently different from the financial damage (i.e., lost contribution) motivating the exigency request to justify treating one as the cause and the other as the effect?

The Postal Service quite reasonably speaks of them as closely tied. In arguing against the view that the mere existence of multiple causes can bar an exigency increase, it states that "[n]o one can reasonably dispute that the recession caused *a sharp decrease in volume – and thus in revenue* – or that the decrease in revenue contributed significantly to the Postal Service's financial crisis."<sup>11</sup> While the two things are clearly distinguishable – one, for example, being measured in pieces and the other in dollars – the financial impact seems to be treated as following more or less automatically from the volume decline. As a practical matter, then, the question before the Commission is whether it is more helpful in the sound administration of § 3622(d)(1)(E) to take the causal relation required by the phrase "due to either extraordinary or exceptional circumstances" as being (i) that between a volume loss and its financial impact, or (ii) that be-

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<sup>10</sup> Suppose we summarize the idea of causation as "If *A* had not happened, then *B* would not have happened; hence *A* caused *B*." At the limit, then, if *B* were identical with, or logically equivalent to, *A*, this statement would be completely vacuous: we would be asserting that "if *A* had not happened, then *A* would not have happened."

<sup>11</sup> Postal Service Initial Comments, p. 18 (italics added).

tween an extrinsic event or factor (recession, Internet diversion, etc.) and the resulting impact on volume and net revenue taken together.

The latter, in GCA's view, is the correct interpretation. It is supported by what the Commission has done in the first phase of this case and is permissible under – if not implicitly encouraged by – the Court of Appeals decision. The causal relation – if one exists – between an event in the world at large and one within the sphere of postal volumes and revenues is more significant than one which more or less mechanically ties fluctuations in mail volume to fluctuations in contribution. Locating the needed causal relationship as the link between events like the recession and its mail volume and net revenue consequences makes better sense of the notion that an event could be "extraordinary" without necessarily being "exceptional."<sup>12</sup>

*Summary.* If this view is accepted, as we believe it should be, then it seems clear that (i) the Commission must look to the relevant extrinsic events (the recession, Internet diversion, and the like) as the potential field of "extraordinary or exceptional circumstances"; (ii) the causal relations needed to satisfy the "due to" aspect of the statute would be those between such extraordinary or exceptional extrinsic events and the volume and revenue consequences incurred by the Postal Service on account of them; and (iii) any exigency increase should be properly scaled to the extraordinary or exceptional event(s) linked by such causal relationships to the experienced declines in volume and net revenue. This means that when the Commission sets about quantifying any appropriate revenue increase it should do so on the basis of the impact of the 2008-09 recession, and not, as the Postal Service proposes, "of the harm to postal finances

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<sup>12</sup> GCA argued, in the first phase of this case, for a meaningful distinction, distinctly intended by Congress, between these two terms (Initial Comments, pp. 4 et seq.); the Commission noted the distinction but did not make use of it. Order No. 547, pp. 48 et seq. If, as GCA believes, an "extraordinary" event is one of a highly uncommon *type*, as distinct from an "exceptional" event which is uncommon in *magnitude*, it is not clear how even a violent fluctuation in mail volume could be "extraordinary."

from recent volume losses, including estimated volume losses specifically relating to the recession."<sup>13</sup>

B. What follows from the existence of multiple causes?

The Court's admonition that "due to" does not necessarily or unambiguously mean "due exclusively to" raises the question of how large a rate adjustment can be based on a volume (and hence net revenue) decline stemming from multiple causes only one of which is "extraordinary or exceptional." The argument that the Court's action calls for a "weak" causation standard is extensively presented by APWU, though the Postal Service seems to hold somewhat similar views.<sup>14</sup>

GCA would observe initially that the Court of Appeals was dealing with the meaning, or meanings, of "due to." It instructed the Commission to arrive at a statutorily permissible interpretation of the phrase, and did not prescribe the interpretation the Commission should arrive at in order to make § 3622(d)(1)(E) function as intended. The question is thus for the Commission to decide, and, at least theoretically, the "due exclusively to" interpretation is on the table along with an indeterminate number of others. For purposes of this discussion, however, we assume that the chosen standard would allow consideration on the merits of an exigency request in the context of a financial hardship less than all of whose causes are exigent (extraordinary or exceptional) within the meaning of the statute.<sup>15</sup>

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<sup>13</sup> Postal Service Initial Comments, p. 25.

<sup>14</sup> Initial Comments of American Postal Workers Union, AFL-CIO, pp. 3 et seq.; Postal Service Initial Comments, pp. 13 et seq.

<sup>15</sup> Useful here is the distinction drawn by Time Warner between (i) the question of how close the causal relation must be between the exigency and the revenue increase, and (ii) the quite separate question of how much of the revenue increase – the causal relation being taken as already defined – must be due to the exigency (and, correspondingly, whether any increase based on non-exigent circumstances is allowable). Time Warner Inc. Initial Comments, pp. 3, 25-26. The point at issue here is question (ii), and, much like Time Warner, GCA believes that substantially all of the increase must be causally linked with the specific exigency.



The question then becomes: Given the multiple causes, exigent and non-exigent, how should the magnitude of any rate adjustment be determined?

APWU proposes a distinctly minimalist standard of causation:

Therefore, in order to effectuate the exigency exception, the Commission should require a weak causative connection requiring only that the Postal Service's rate request be *due in part to, or related to the exigent circumstances*.<sup>[16]</sup>

The second branch of this proposed test is clearly inadmissible; "due to" and "related to" are not synonyms, and the statute reads "due to." "Related to" – unlike "due to" – does not imply a causal relationship<sup>17</sup>, which the Court said the Commission was correct in requiring.

APWU argues that the entire 5.6 percent increase originally requested is justified as "due to" the exigency. It does not consider whether *part of* the request could be justified as "due to" the recession, and approved, while the remainder could not. Its argument is essentially a practical one:

The Postal Service's financial stability has been adversely affected by several factors, one of which is without question an "extraordinary or exceptional" circumstance. In this case, the ability of the Postal Service to isolate the effects of the exigent circumstance is complicated by the fact that there are multiple causes for the Postal Service's dire financial situation. However, [from] the record established in Docket No. R2010-4 it cannot be denied that the Postal Service's current financial situation was

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<sup>16</sup> APWU Initial Comments, p. 5 (italics added).

<sup>17</sup> For instance, identity and logical equivalence are relations, and we showed above (fn. 10) how the existence of either of those relations between two entities makes a significant causal relation between them impossible.

It is true, as the Postal Service points out (Postal Service Initial Comments, p. 13) that the Commission's rule (39 CFR 3010.61(a)(3)) requires it to show how its proposed rate adjustments "relate to" the claimed exigency. This does not make a causal relationship any less mandatory. The rule was enacted before the Commission decided, and the Court of Appeals confirmed, that a causal relationship was required. That requirement, of course, is perfectly consistent with the rule's language; cause and effect are "related" (but not all relations involve causation).

impacted by the recent recession and resulting volume losses. *Application of a strict causation standard in this case would require the Postal Service to prove precisely the losses attributable to the exigent circumstance; this burden is too high.*<sup>[18]</sup>

GCA submits that a reasonable standard would require no such thing. The Postal Service itself has described, without endorsing, approaches to the problem of quantifying the impact of the recession (its Quantification Methods Four and Five). APWU is confusing the question whether the statute allows an exigency request to be scaled to the *entire* financial shortfall, only part of which is caused by an exigent event, with a quite different one: the degree of precision with which the Postal Service would have to demonstrate the specific financial effect of that one exigent causative factor.<sup>19</sup> The challenge to the Commission is to arrive at a standard which allows the Postal Service to recover a reasonable<sup>20</sup> approximation of the financial damage from the exigent circumstance. This may well entail scaling down an original request, but such action by the Commission is clearly contemplated by the statute; otherwise the "reasonable and equitable and necessary" standard would be unusable. That dollar-for-dollar precision was unattainable would not mean that the attempt to limit the recovery to losses caused by the exigency should be abandoned as impossible. Instead, we believe, it should be pursued to a realistic solution, since that is what the statute requires.

*Summary.* The notion that the Postal Service either (i) must perform the perhaps infeasible task of precisely tracing every dollar of lost net revenue to the circumstance – exigent or otherwise – responsible or (ii) be allowed to treat the volume loss globally, and without regard to its causes, as the exigent event is a false dichotomy. Nothing in the statute forbids the limitation of an exigent rate

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<sup>18</sup> Id., p. 4 (italics added). The Postal Service (Initial Comments, p. 15) makes a somewhat similar argument, but recognizes, as APWU apparently does not, that estimates of such losses can be made although they are likely to depend on underlying assumptions. But assumption-dependent estimation is, perhaps unfortunately, a fact of life in postal ratemaking, here as elsewhere.

<sup>19</sup> Here again, see the discussion by Time Warner cited in fn. 15, above.

<sup>20</sup> And, of course, equitable and necessary.

increase to the financial impact of just those circumstances which are shown to be exigent. The Commission, in interpreting "due to," is free to assume and – as far as possible – define the degree of precision required. In this case, the exigency has already been identified as the 2008-09 recession. The Commission's analysis should proceed from that basis.

### III. THE POSTAL SERVICE'S TREATMENT OF THE RECESSION AND ITS PROPOSED QUANTIFICATION METHODS

As discussed above, proper implementation of § 3622(d)(1)(E) requires accurate identification of the exigent event on which any rate adjustment claims to be based. Understanding and quantifying the relationship between a proposed adjustment and the impact of that event is equally important. In this section, we examine the Postal Service's proposed methods of doing so.

Treating the global volume loss – or, in the case of Quantification Methods Four and Five, a loss claimed to be that due to the recession – as the exigent event, the Postal Service presents a range of potential revenue adjustments. One – Method Five – produces an adjustment of \$2.34 billion, which the Service says it would not challenge if the Commission adopted it. The others are all greater than the original \$3 billion request in this case.

We have outlined above the reasons why the recession, and not the global volume loss from all adverse factors, should be taken as the exigency to which any rate adjustment must be causally tied. This, by itself, puts Quantification Methods One, Two, and Three out of court. Methods Four and Five, however, do undertake to restrict the inquiry to recession-related impacts. Nevertheless, neither produces an acceptable result, and the Commission should not accept them as estimates of the impact "due to" the recession.

#### A. The exigent and non-exigent components of the recession

We should point out first that both of these methods treat the recession as if it were *in its entirety* an exigent event. GCA's July 25, 2011, Initial Comments – building on the concept we presented in the first phase of the case, which the Commission found meritorious<sup>21</sup> – provided a detailed showing of how the recession could and should be decomposed into exigent (exceptional) and non-exigent components, with particular emphasis on the fact that the difficulties in implementing our method, on which the Commission remarked in Order No. 547, no longer apply.<sup>22</sup> We will not repeat that showing here, but will simply point out that because Postal Service Methods Four and Five do not attempt to isolate the exigent portion of the 2008-09 recession, they necessarily produce overly large estimates of the financial loss properly considered as "due to extraordinary or exceptional circumstances."

#### B. Post-recession volumes – modeled vs. actual

In its description of Quantification Method Four, the Postal Service argues that what it presents as losses in FY 2010 and 2011 should be included in the computation of financial impact; it states that "excluding FY2010 and FY2011 from the analysis omits over half of the harm from the recession, which is the part that relates to volume losses during those subsequent two years."<sup>23</sup> It arrives at this view by assuming away the recession and estimating, on that assumption, what volumes would have been in those two years.

It is noteworthy, first, that this procedure entails estimating FY 2010 and FY 2011 values of variables for which actual data are available. But the model used for this estimation did not employ those actual data in any way. The volume estimation model used extended to the end of calendar 2009 – one quarter

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<sup>21</sup> Order No. 547, p. 51.

<sup>22</sup> GCA Initial Comments, part IV, and corresponding material in the Detailed Analysis.

<sup>23</sup> Postal Service Initial Comments, pp. 45-46, fn. 28.

past the trough in mail volume, and two quarters past the macroeconomic trough (June 2009). The six quarters of available, but unexploited, actual data represent a distinct, indeed critical, phase of the business cycle of which the 2008-09 recession was part. Standard econometric procedure, given this state of the data, would be to re-estimate the model using the FY 2010 and FY 2011 actual results. Omitting the actual data distorts the coefficients of the model used to separate recession-caused and non-recession caused volume changes, so that the attempted separation is basically flawed. Because the Postal Service did not re-estimate the model in this way, its loss estimates for the entire period, including the six post-recession quarters, cannot be relied on. For further discussion, see the Detailed Analysis, section II.

This procedure is also questionable as an approach to implementing § 3622(d)(1)(E). It amounts to the proposition that recession-driven losses continue – perhaps indefinitely – after the recession has ended. It may be true to say that after an enterprise has been adversely affected by a recession, it will have substantial lost ground to make up before it arrives (if it ever does) at the level of output or revenue it would have enjoyed absent the recession. But § 3622(d)(1)(E) is not an all-purpose loss-recovery provision; it is intended to allow a remedy for extraordinary or exceptional hardships, and for them alone. There is nothing "extraordinary" about an enterprise's continuing to feel the effects of a recession after the recession is over; and whether those effects could be considered "exceptional" depends on whether, or how far, the severity of the recession was "exceptional."<sup>24</sup>

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<sup>24</sup> Here again, the Postal Service's approach of treating the recession and the volume loss as interchangeable concepts has led to confusion. That volumes and net revenue, two years after the recession has ended, are less than they would have been absent the recession does not show that the recession *caused* these contemporary volume and net revenue levels to be what they are. That would be a plausible view only if the recession were the sole determinant of change in mail volume and revenue in the relevant years, which is admittedly not the case. Internet diversion, for example, was hardly stagnant during the recessionary quarters; indeed, Mr. Corbett (quoted at Postal Service Initial Comments, p. 26) has argued that the recession may have accelerated it.

### C. Identifying effects of the exigency with types of mail

The Postal Service's approach, as examined above and in the Detailed Analysis, is not capable of tracing causal relationships between the exigent event – here, the 2008-09 recession – and the effects on particular classes of mail. Yet such tracing is evidently part of at least some, and in GCA's view, the most eligible, choices in the interpretation of § 3622(d)(1)(E).

The contrast between the Postal Service approach and that proposed by GCA can be easily seen by comparing the results they produce for First-Class Mail. GCA's analysis shows that the effect of the recession on First-Class letters, and Single-Piece letters in particular, was essentially zero. The Postal Service, on the other hand, through its Quantification Method Five<sup>25</sup>, ascribes to First Class a 6.5 billion-piece volume loss (19.4 percent of the total 33.5 billion-piece loss) and a loss in contribution of \$1.44 billion out of a \$2.34 billion total, or 61.5 percent of the total. (The disparity in percentages, of course, stems from the difference in per-piece contribution for First Class, as against the system average.)

This type of information would clearly be needed if the Commission decided that some revenue adjustment was in order in this Docket. In our Initial Comments (particularly section III) we emphasized the importance of linking the exigent event with its effects, or lack of them, on different classes of mail. The Postal Service's global approach to both volume and contribution losses – even when an attempt is made to restrict the inquiry to the recession and its consequences – does not allow this to be done. In a situation where the Service's financial hardship has multiple causes, only one of them exigent, the problematic "due to" in § 3622(d)(1)(E) cannot be given its full significance unless the mail classes are examined individually for the effect, if any, the exigent event has had on them.

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<sup>25</sup> Method Five is the only one which (i) attempts to limit the volume and contribution effects to those of the recession, and (ii) breaks them down by major mail class. See Postal Service Initial Comments, Table Four, following page 45.

#### IV. CONCLUSION

As in our Initial Comments, GCA believes that no exigency increase is warranted. In addition, for the reasons explained above, GCA urges that – in addition to adopting the conclusions we recommended in our Initial Comments – the Commission –

- Reject the Postal Service approach of treating the volume loss as the exigent event underlying this case, and hold that that event is the 2008-09 recession;
- Recognize that the causal relationship which both it and the Court of Appeals have declared a requisite of § 3622(d)(1)(E) is that between the recession and the volume and revenue losses, and not the relationship (which GCA does not believe can be properly treated as "causal" under the statute) between the volume loss and the loss in net revenue;
- Hold that, of the Postal Service's proposed quantification methods, none produces a credible result, and three do not even correctly identify the underlying exigency; and
- Adopt, as the basis for any rate adjustment it might find warranted, GCA's approach which appropriately traces causal relationships between the recession and the various mail classes.

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Respectfully submitted,

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